GEORGE WESTON LIMITED 1967 ANNUAL REPORT

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GEORGE WESTON LIMITED 40TH ANNUAL REPORT

for the year ended December 31, 1967.

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EXECUTIVE OFFICE
25 King St. West, Toronto 1, Ontario

TRANSFER AGENTS
National Trust Company, Limited, Toronto, Montreal, Winnipeg, Edmonton and their agents: Canadian Imperial Bank of Commerce, Charlottetown, Halifax, Saint John, Regina, Vancouver

The Detroit Bank and Trust Company Detroit, Michigan, U.S.A.

SOLICITORS
Wahn, Mayer, Smith, Creber, Lyons, Torrance & Stevenson

AUDITORS
Thorne, Gunn, Helliwell & Christenson

STOCK LISTINGS
Toronto, Montreal and Vancouver Stock Exchanges

ANNUAL MEETING
Royal York Hotel, Toronto, May 29, 1968

The pages of this report are printed on paper made by The E. B. Eddy Company

GEORGE WESTON LIMITED
FINANCIAL HIGHLIGHTS

	1967	1966	1957
Net income per common share	**$ 1.72**	$ 1.31	$ 0.50
Net income	**19,772,000**	15,276,000	4,753,000
Cash flow	**36,279,000**	31,476,000	8,848,000
Dividends paid	**9,143,000**	8,380,000	1,849,000
Sales	**919,016,000**	835,886,000	327,873,000
Working capital	**75,617,000**	51,818,000	24,067,000
Working capital ratio	**1.88 to 1**	1.41 to 1	2.34 to 1
Total assets	**$348,341,000**	$375,652,000	$ 93,559,000

REPORT TO SHAREHOLDERS

It is with pleasure we present, on behalf of the Board of Directors, the 1967 Annual Report of George Weston Limited.

On this, the fortieth anniversary of the incorporation of your Company, we can look back with pride on an outstanding record of achievement — forty years of sustained growth and every one of them profitable.

Your Company, in 1967, produced more, sold more and earned more than in any single year since it became a public company in 1928. Sales volume of the consolidated group of Weston Companies increased 10% over 1966 to a record $919,016,000, and net income was 29% higher at $19,772,000.

In summary, the results reflect an excellent operating performance. Despite some slowing down in the pace of economic expansion, higher costs for wages, materials and money, and more intense competition for the shopper's dollar, your Company, by substantially increasing sales volume and constantly seeking improved efficiencies, was successful in maintaining operating earnings close to peak levels.

Internal growth has been a major contributing factor in Weston's progress. It has long been our policy to develop the production resources and increase the profit potential of every company within the group. This has required substantial investment in new and better equipment, in additional and more efficient facilities. Such expenditures do not always return immediate profits but they are an essential part of our long-range plan to strengthen our competitive position and, in due course, add considerably to earnings performance. In the past three years alone, we have spent over $66,000,000 on capital improvement programs and we anticipate spending $20,000,000 in 1968.

Additional funds for capital expenditures and working capital purposes were obtained through the sale of a $25,000,000 debenture issue in June,

1967, and from the sale, in November last, of almost two-thirds of our investment in Fine Fare (Holdings) Limited. We still retain a 20% interest in this large and successful United Kingdom retail food chain.

Connors Bros. Limited of Black's Harbour, N.B. joined the Weston group in 1967, a move calculated to enhance the efficiency and profitability of our Fisheries Division. The operations of Connors Bros. Limited should complement those of British Columbia Packers Limited, another member of the Weston group, by providing extensive and integrated facilities on both seaboards of North America.

To facilitate corporate administration, the various owned and controlled operating subsidiaries of George Weston Limited are grouped into Divisions, namely, Bakery and Confectionery, Chocolate and Dairy, Fisheries, Forest Products, Packaging, Wholesale and Retail, and Loblaws (the latter is not consolidated). Further details on the extent and diversification of your Company's interests are outlined on the following pages and in the chart on the inside back cover of this Report.

Several important changes were made in December, 1967, in the Board of Directors of your Company. Keith G. Dalglish, C.A., joined the Board and was elected Vice-President and Managing Director of George Weston Limited. Allan J. Scott was elected a Director of George Weston Limited and named President and Managing Director of William Neilson Limited, a Weston subsidiary, to succeed Sydney J. Smith on his retirement. We are also pleased to advise that W. Galen Weston has joined your Board of Directors. Mr. Weston is a Director of Associated British Foods Limited, London, England, and heads the Weston supermarket operations in Ireland and on the Continent.

In other top management changes, Edward L. Jones, C.A., and W. Struan Robertson, Q.C., retired from the Weston Board. Mr. Jones and Mr. Robertson are now Directors of your Company's subsidiary, Loblaw Companies Limited. Mr. Jones has also assumed the responsibilities of Vice-President and Secretary-Treasurer of Loblaws.

By adding to and strengthening management teams at both corporate and division levels, the Weston organization is better equipped than ever before to implement its plans for building progress and profits in the years ahead.

In spite of growing inflationary pressures in Canada and the present uncertainty of international conditions, your Directors are optimistic about the operations of your Company. We are entering the next forty years in strong financial condition, with trained, aggressive personnel at all levels and with excellent diversified products in all our markets.

We wish to express our appreciation for the confidence of shareholders and for the loyalty and co-operation of our employees whose efforts made 1967 another year of achievement.

C. C. Metcalf

President

Keith G. Dalglish

Toronto, Ontario
April 29, 1968.

Vice-President and
Managing Director

DIRECTORS

W. GARFIELD WESTON
GEORGE C. METCALF
KEITH G. DALGLISH
G. H. WESTON
W. C. R. JONES
F. A. RIDDELL
F. CLIFFORD LENNOX
ALLAN J. SCOTT
W. GALEN WESTON
G. E. CREBER

OFFICERS

W. GARFIELD WESTON
Chairman of the Board

GEORGE C. METCALF
President

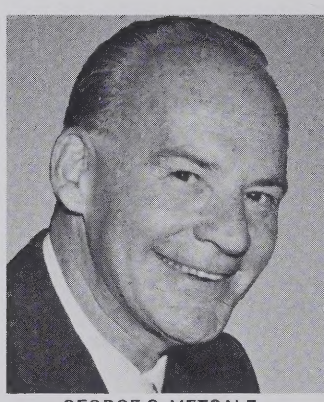
KEITH G. DALGLISH, C.A.
Vice-President
and Managing Director

G. E. CREBER, Q.C.
Secretary

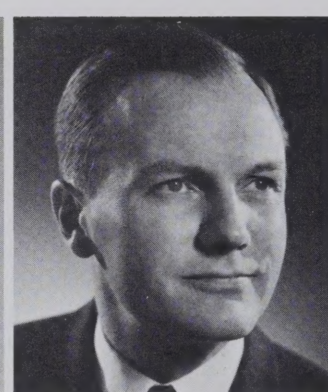
BRUCE G. CHILDS, C.A.
Assistant Treasurer

CHESTER G. HAYWARD, C.A.
Assistant Secretary

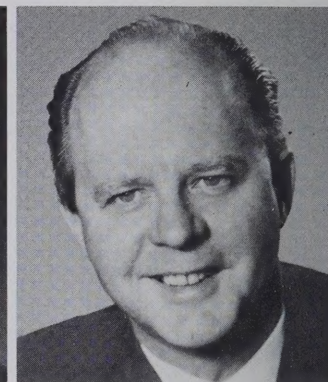
JOHN P. SHEEHAN, C.A.
Assistant Controller



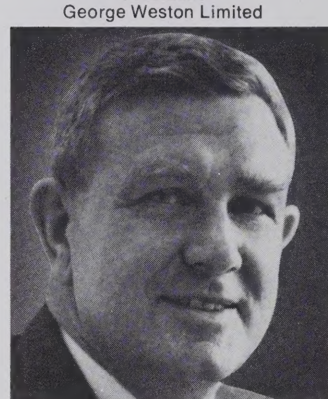
GEORGE C. METCALF
President
George Weston Limited



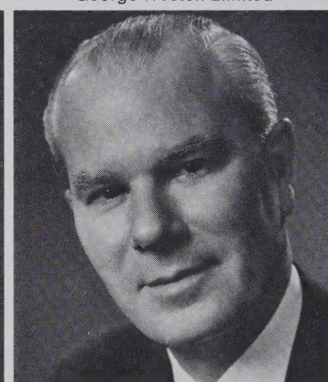
KEITH G. DALGLISH
Vice-President & Managing Director
George Weston Limited



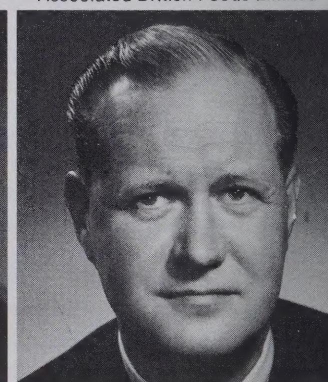
G. H. WESTON
Chairman
Associated British Foods Limited



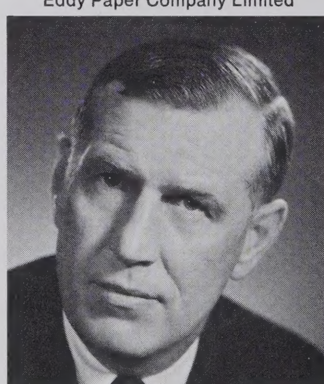
W. C. R. JONES
President and Managing Director
Eddy Paper Company Limited



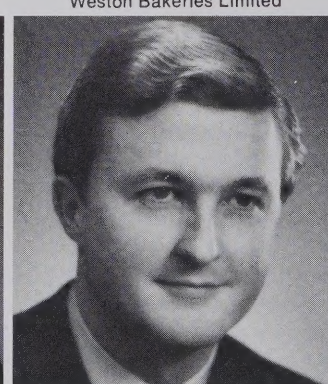
F. A. RIDDELL
President
Weston Bakeries Limited



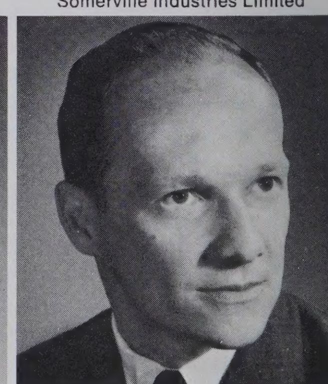
F. CLIFFORD LENNOX
President and General Manager
Somerville Industries Limited



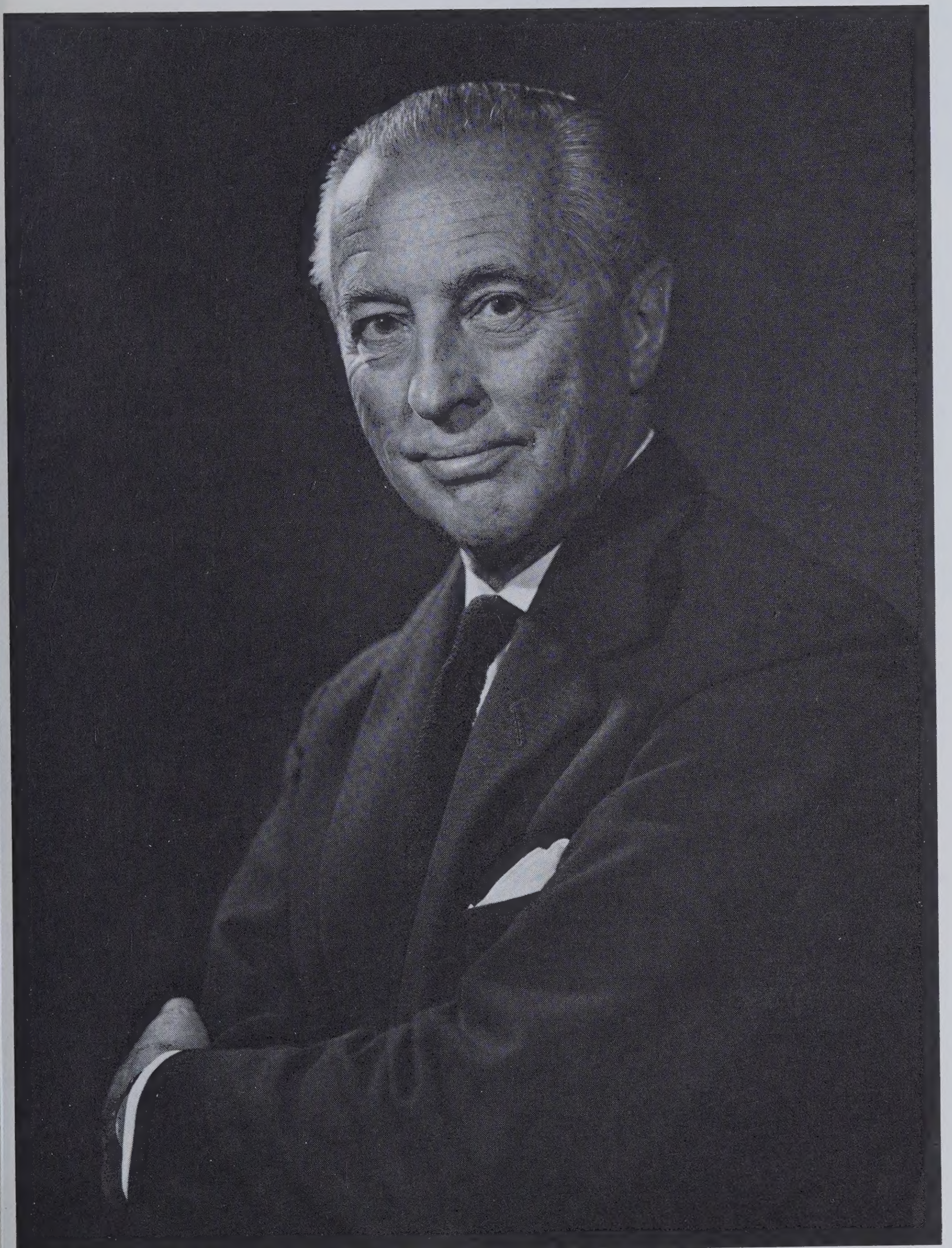
ALLAN J. SCOTT
President and Managing Director
William Neilson Limited



W. GALEN WESTON
Chairman
Power Super Markets (Ireland)



G. E. CREBER
Secretary
George Weston Limited



W. GARFIELD WESTON
Chairman of the Board
George Weston Limited

THE FIRST 40 YEARS AND BEFORE

George Weston Limited, a great Canadian corporation, a family of successful companies in Canada and in the United States; George Weston Limited with total assets of nearly $350 million; and it all started with a single biscuit plant. On January 27, 1928, George Weston Limited, the newly-incorporated public company formed by W. Garfield Weston, purchased the assets of the family biscuit business—a business founded by his father, George Weston, many years before.

It was in 1882, only 15 years after Confederation, that young George Weston, an 18-year old baker's apprentice purchased his first bread route and set out on his own—a step that marked the beginning of Weston's. Progress wasn't easy. In those early days he was chief baker, delivery-man and bookkeeper. It was a lot of hard work. And it was late to bed and early to rise to get it all done.

But in 1896, Weston's was Toronto's biggest bakery and had out-grown its first quarters. A new bakery was built, the most modern in Canada. Once in this new building, George Weston's enthusiasm drove him to diversification. Now he not only baked 3200 loaves of bread daily, he began to make cakes as well. And George Weston now had 40 employees and a weekly payroll of $350.

The Toronto Evening Star of October 16, 1897, on the first anniversary of the new bakery, said "Perseverance and pluck combined with brains have brought many a man out of the rut. Such a man is Mr. George Weston".

Early in the new century, George Weston began baking biscuits, and even then ahead of his time in merchandising ideas, he sent out salesmen in a fancy wagon to give out samples of his vanilla wafers. Each person to taste the biscuits was given this advice. "If you like them, buy them at your grocer" And that's what they did.

So good were his products, so successful was George Weston, that in 1910 he built a biscuit factory at the corner of Peter and Richmond Streets in Toronto, a plant that is still there, still operating, the nucleus of the present Weston Company.

In 1918, following his return from World War I, W. Garfield Weston entered his father's business.

In 1922 he introduced Canadian made "English Quality" biscuits to Canada. They achieved immediate popularity and put the Weston trademark into every store in the country.

Garfield Weston spent the then enormous sum of $36,000 to introduce these biscuits, an amount many times what his father had spent on advertising in all his years in business.

With the death of his father in 1924 the future of the business became the full responsibility of Garfield Weston. He accepted the challenge and set out "to build a business that would never know completion but advance continually to meet advancing conditions".

George Weston Limited, as it is known today, began in 1928, four years after Garfield Weston succeeded his father. In its first year George Weston Limited began to advance with the purchase of a candy business, the opening of sales branches in Canada and biscuit production in the United States. And in that first year, profits increased from $86,000 to $168,000; and total assets went up from $1,000,000 to $2,000,000.

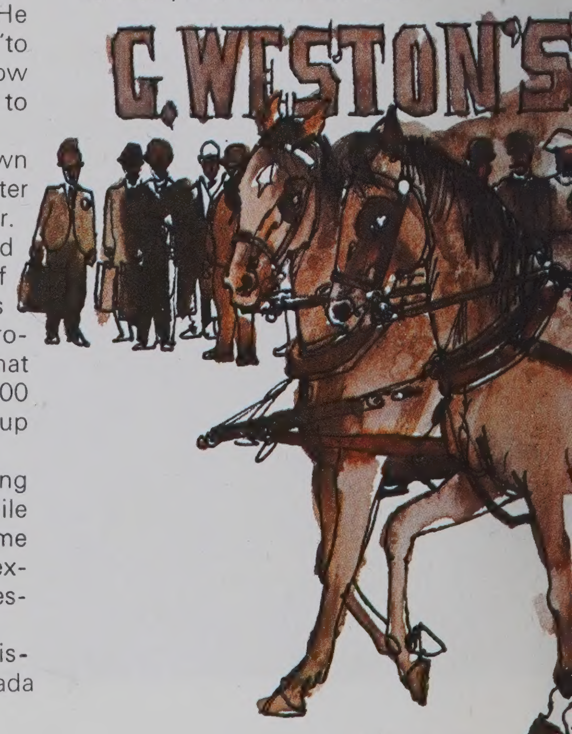
The advance continued, even during the great depression of the Thirties. While many companies retrenched and some failed, Weston's bought more plants, extended its operations—turned the recession into gains.

By 1938 Weston's was the largest biscuit and confectionery business in Canada

In the first fifteen years of its existence, George Weston Limited returned to its shareholders $4 million in dividends—four times the original value of the Company, and the number of Weston employees increased from 425 to 6000.

Following World War II, expansion resumed at a quicker pace, new plants were built, facilities purchased, the company strengthened its position of leadership in the food industry—in Canada and in the United States.

Diversification has played a major role in corporate growth. The purchase, in 1948, of the long-established William Neilson Limited was the nucleus of the Chocolate and Dairy Division. Through investment in Loblaw's, Weston's extended its interests in food retailing and merchandising. Further diversification has been successfully achieved in other growth areas—in forest products, packaging, fisheries, and wholesale foods.



Forty years of progress have built Weston's into a great organization.

In every one of those forty years the Company has earned a profit and beginning two years after incorporation, dividends have been paid on a regular basis without interruption. On Canada's 100th birthday, July 1, 1967, George Weston Limited paid its 150th consecutive quarterly dividend.

It is Mr. Weston's long-held belief that the right men count, that it is men with vision and experience who have made the Weston enterprise successful—"without the proper men and their loyalty, the organization does not succeed"... This business philosophy has been an important contributing factor to the Company's success.

George Weston Limited, a great Canadian corporation is a family of successful companies with total assets of nearly $350 million.

Forty years ago, W. Garfield Weston, set out to build a business—today Weston's is known throughout the world.

And it all started with a single biscuit plant.

George Weston 1864-1924
Portrait illustrated

Fancy Wagon 1908
illustrated

Weston's First Biscuit Plant
(top right) erected 1910

"G. Weston's Bread Factory"
(left) Sign on first bread plant 1884

REVIEW OF OPERATIONS

SALES

The total sales of the consolidated group of Weston companies increased in 1967 to a record $919,016,000, up 10% from the previous high of $835,886,000, in 1966.

The consolidated figures include sales of Fine Fare (Holdings) Limited for the ten month period ending in November, 1967, compared with a full twelve months in the prior year. Sales of Connors Bros. Limited for the ten months ended December 31, 1967, are consolidated for the first time.

Sales increases were achieved by all Divisions despite the intense competition prevailing in most markets.

EARNINGS

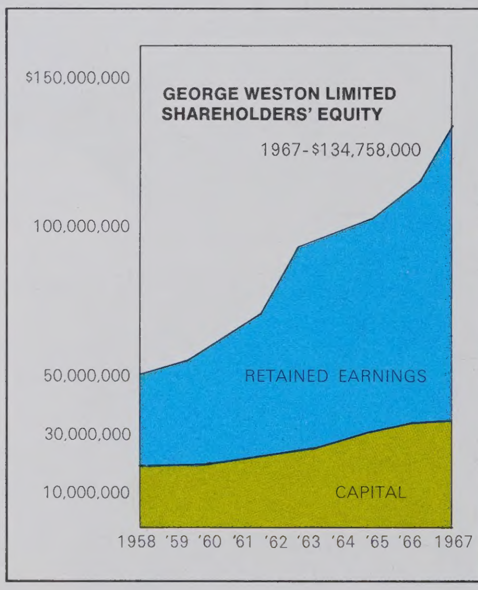
Consolidated net income (including dividends and profit on sale of investments and fixed assets) increased 29% to a new high of $19,772,000, equivalent to $1.72 per share, compared with $15,276,000 and $1.31 per share in 1966.

Income from operations (including dividend income) was $12,983,000, equivalent to $1.10 per share compared with $14,254,000 and $1.22 per share in 1966.

These per share earnings are calculated on the total number of Class "A" and Class "B" shares outstanding at year-end. There were no additional shares issued during 1967.

In compliance with recent recommendations of the Canadian Institute of Chartered Accountants, the net earnings figures given are after making deductions for deferred as well as current income tax estimates. Deferred income taxes are those which may be due in later years because of the policy of claiming maximum capital cost allowance for tax purposes, irrespective of the depreciation charged in the accounts. "Deferred Tax Accounting" had the effect of reducing 1967 income by $2,044,000, compared with the "flow-through" method of charging income taxes, which has been used in prior years. In this Report all prior years' figures used are after making the appropriate reductions for deferred income taxes.

Throughout 1967, production and distribution costs continued to move higher. Increases in costs for labour, freight and borrowing money resulted in greater pressure on profit margins. Labour conditions were unsettled in certain areas of our operations and a number of locations experienced long and costly strikes with resultant loss of production and sales.



All of the Weston consolidated operating divisions, except Fisheries and Forest Products, attained profit levels approximately equal to or better than in 1966. The Fisheries Division experienced marketing problems because of unusually severe foreign competition, especially in certain product lines. Conditions in the industry generally made it difficult to realize normal profit margins. In the Forest Products Division, sales were substantially higher but profits were affected by higher labour and other costs. With production facilities at capacity it was necessary, in order to meet export demands for fine papers, to supplement production through purchases from other suppliers. This resulted in some drop in profit ratios — a situation which should correct itself when the new fine-paper plant comes into operation in 1968.

The earnings of the Loblaw Division are included in the consolidated figures only to the extent of dividends received. Such dividends in 1967 were at the same rate as in the previous year. Loblaws reported a slight reduction in profit in the fiscal year which ended June 3, 1967 as a result of the challenging conditions which prevailed during the period, throughout the North American supermarket industry. Consumer discontent with inflation and demonstrated resistance to higher prices created more costly competition and weakened profit margins. In recent months prospects have brightened, and sales activity has become somewhat stronger.

DIVIDENDS

Dividends paid by the Company to its shareholders in 1967 totalled $9,143,000 compared with $8,380,000 in 1966. Dividends on the common shares increased from $7,406,000 in 1966 to $8,182,000 in 1967. This increase was due to:

(a) the increase in the dividend rate from 55¢ to 75¢ per share in May, 1966 and...

(b) the issuance late in 1966 of 553,000 additional Class "A" shares in exchange for share purchase warrants.

At the present time, no outstanding obligations for issuing of further shares exist.

Dividends have been paid by George Weston Limited without decrease on a regular quarterly basis since 1930.

FINE FARE (HOLDINGS) LIMITED

As advised in last year's Annual Report, your Company exercised its option in 1966 and acquired a 51% controlling interest in Fine Fare (Holdings) Limited, a leading retail food organization in the United Kingdom.

Fine Fare presented an excellent opportunity for further international diversification — its operations were expanding, profits were moving higher and prospects looked good. However, it became evident late in the past year that with unsettled world conditions and increasing pressure on sterling and other currencies, the time was opportune to realize on our investment.

Therefore, early in November, your Company accepted what it considered to be an attractive offer and accordingly sold 31% of the outstanding shares of Fine Fare for $23,376,000. This amount was in excess of the original total investment and we still retain a 20% interest in this profitable United Kingdom enterprise.

As a result of this sale, the consolidated accounts of George Weston Limited include the sales and earnings of Fine Fare only to the date of the sale of control. The assets and liabilities of Fine Fare are not included in the consolidated balance sheet of George Weston Limited at December 31, 1967.

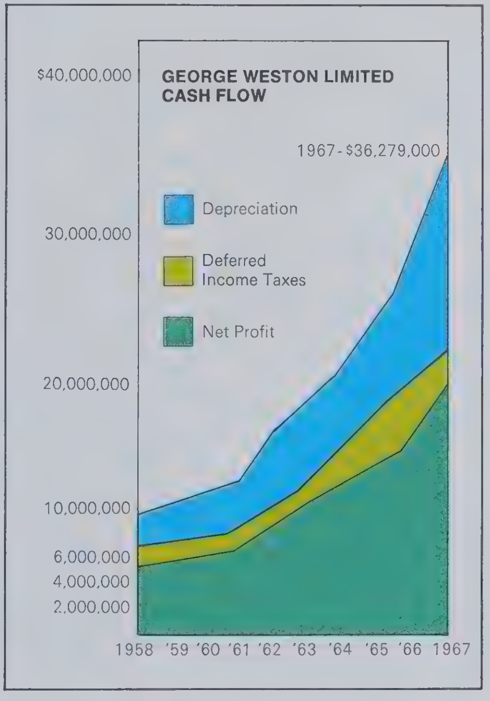
CONNORS BROS. LIMITED

Connors Bros. Limited, Black's Harbour, N.B., one of Canada's leading fishery organizations, became part of the Weston group of companies early in 1967, through the acquisition of a majority of the outstanding voting shares. The assets and liabilities, together with the sales and earnings for the ten months ended December 31st, of Connors Bros. Limited are included in the consolidated statement of George Weston Limited for the first time, in 1967.

CAPITAL EXPENDITURES

Plant and equipment expenditures of approximately $23,000,000 in 1967 bring to over $66,000,000 such capital outlays in the past three years.

It has been Company policy to keep the tools of production and distribution up to date. In an age of rapid change, this is essential in order to remain competitive. Weston's will continue to invest in the most efficient methods in an effort to counteract constantly rising material and labour costs while trying to maintain reasonable profit margins sufficient to provide a fair and proper return to shareholders.



WORKING CAPITAL

Working capital at December 31, 1967 was $75,617,000, up from $51,818,000 the preceding year. The ratio of current assets to current liabilities was 1.88 to 1 at the year end, compared with 1.41 to 1 at the end of 1966.

On June 1, 1967, the Company issued $25,000,000 6¾% Sinking Fund Debentures, Series "F", to provide funds for general corporate purposes — including capital outlays for expansion and modernization of plant facilities.

The receipt of funds from the sale of the Series "F" Debentures and from the sale of a part of its interest in Fine Fare has enabled the Company to significantly reduce short term indebtedness. Of the total bank advances and notes payable of $34,608,000 at December 31, 1967, $28,805,000 represents liabilities of British Columbia Packers Limited and results mainly from the seasonal necessity in the fisheries industry of carrying large inventories at the calendar year-end.

TOTAL ASSETS

Total assets of $348,341,000 show a reduction of $27,311,000 from last year. This is due in large measure to the elimination of Fine Fare's assets from the consolidation, offset in part by the inclusion of Connors Bros. Limited and the growth gains of the various consolidated companies.

BAKERY AND CONFECTIONERY DIVISION

The Bakery and Confectionery Division, on which George Weston Limited was originally founded, today includes some of the best known names in the food industry. Together they make Weston's Canada's largest producer of biscuits and bread, and a leading manufacturer of confectionery and other food products.

The vast network of facilities includes 22 diversified plants serving Canada from coast to coast, five biscuit plants located in the United States, and sales branches and distribution warehouses throughout Canada and the United States.

Thirteen bakeries across Canada produce all the bread, cakes and other baked goods that carry the "Weston", "Sunbeam" and "Lane's" labels, as well as producing the huge volume of bakery items sold by other retailers under their own labels. The modern Longeuil, P.Q. plant produces the Weston brand biscuits, while the Brantford, Ontario plant manufactures the many Weston candy items.

In London, "McCormick's", founded in 1858, manufacture and distribute nationally a wide variety of fine biscuits and confectionery products, in addition to "Imperial" ice-cream cones, and "Sweetheart" sipping straws.

Winnipeg's "Paulin Chambers", founded in 1876, has become western Canada's leading biscuit and confectionery concern by developing strong acceptance for their quality products.

"Marven's" of Moncton, founded in 1906, and "Hamilton's" of Pictou, founded in 1840, have become traditional names in the Maritimes and Quebec biscuit markets.

And, in the United States, "Weston's", "American" and "F.F.V." (Fine Foods of Virginia) are old and reputable names in the biscuit trade.

CHOCOLATE AND DAIRY DIVISION

William Neilson Limited, Willards Chocolate Company Limited, Devon Ice Cream Limited and Eplett Dairies Limited, the principal subsidiaries of the Chocolate and Dairy Division, account for approximately 40% of chocolate bar sales in Canada. This Division is also among the top producers of dairy products in Ontario.

In 1968, Neilson's of Toronto celebrates its 75th anniversary by having the distinction of being the largest confectionery house in Canada. Over the years, Neilson's unrivaled reputation for quality has made "Jersey Milk", "Burnt Almond", "Crispy Crunch" and "Malted Milk" chocolate bars, and "Supreme" packaged chocolates national by-words in Canada. In the United States, Neilson's "Nutty" chocolate bar has become the top selling imported 10¢ bar, while others bearing the Neilson name continue to gain a substantial share of the sales volume.

Another of Canada's best-liked chocolate bars, "Sweet Marie", has established Willards' of Toronto as a well-known name in the chocolate industry. In addition, the company in recent years has expanded production and product range, and is now engaged in the manufacture of a wide assortment of chocolate bars, bulk and packaged chocolate, hard candies,and other confections for national distribution.

In the dairy division, Eplett Dairies of New Liskeard, Ontario serves the Northern Ontario and adjacent Quebec area by supplying the retail trade with milk and dairy products.

Devon Ice Cream of Toronto has further expanded its volume of production by manufacturing and distributing ice cream under the Devon name, as well as supplying marketers with ice cream items for distribution under their own brand names.

FISHERIES DIVISION

British Columbia Packers Limited and Connors Bros. Limited, two of the best known fishery enterprises in Canada, comprise the controlled subsidiaries of the Fisheries Division of the Weston Group.

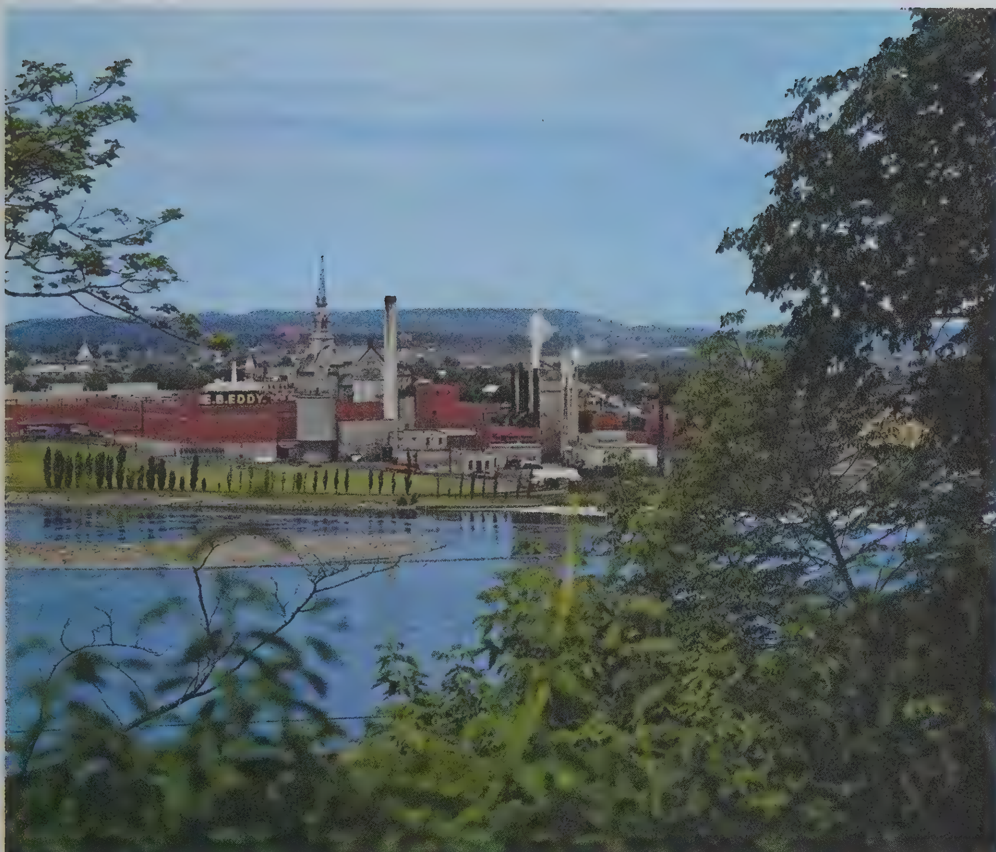
Since its introduction in 1889, the "Clover Leaf" label from British Columbia Packers Limited of Vancouver has become Canada's leading brand in canned seafood. In frozen seafood, "Rupert Brand" and "Certi-Fresh" claim wide consumer acceptance in their respective markets.

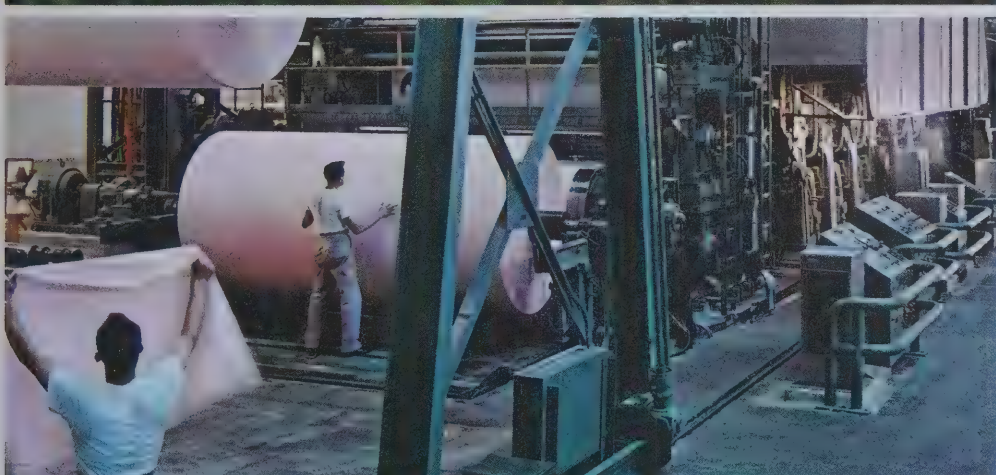
From extensive and diversified plants in Namu, Steveston, Prince Rupert and Victoria, B.C., the company harvests, processes, and markets a wide range of consumer seafoods. Through U.S. subsidiaries the company also operates a Los Angeles plant providing the growing California market with a variety of fishery products, and a Northern California and Washington enterprise engaging in the cultivation, canning and marketing of oysters.

In Nova Scotia and Newfoundland, where it pioneered the herring industry, the Company's large plants process herring meal and oil.

Connors Bros, Limited of Black's Harbour, New Brunswick is an international leader in the packaging of sardines and specialty seafoods. "Brunswick Brand" sardines are world famous for quality and economy. "Jutland", "Old Salt", and "Connors" are other popular brands of fishery products.

These two highly regarded names in the fishing industry produce a large variety of seafoods for both domestic and export markets. Through majority control of these companies, Weston's plays a major part in this leading industry.





FOREST PRODUCTS DIVISION

The operations of Eddy Paper Company Limited are carried out through two subsidiaries, the paper-producing E.B. Eddy Company and the sawmill, J.E. Boyle Limited. Since establishment in 1851, Eddy's has grown to become one of Canada's leading companies in the field of forest products.

The Division holds extensive timber limits in Ontario and Quebec and is engaged on a large scale in the harvesting and processing of wood resources and the manufacturing of many types of paper, paper products and paperboard. Among these are fine and specialty papers for printing and converting; newsprint, bathroom tissue, serviettes, towels and facial tissue for household and industrial uses. "White Swan", "Vanity", "Capri" and "Onliwon" are major Eddy brand names in consumer and commercial paper products.

Integrated production facilities are situated in Hull, P.Q. and Ottawa, Ontario and make up the largest industrial complex in the national capital area. The sawmill and lumber plant is located at Davidson, P.Q.

Since the major expansion program was initiated in 1961, substantial capital expenditures have resulted in more modern production equipment and increased capacity. During the period 1965 to 1967, such outlays totalled $21,000,000.

To meet foreign and domestic demand for fine papers, additional production facilities now under construction will substantially increase output of this very important product line.

As a result of the continuous expansion program, Eddy's will be able to handle sales in excess of former capacity, and improve ability to compete effectively in Canadian and world markets.

PACKAGING DIVISION

Somerville Industries Limited, a subsidiary of the Weston Group, has over the years grown to own and operate ten modern, efficient and productive plants in the Packaging, Plastics and Automotive Parts industries.

The plant in London, Ontario, which is one of the largest in the Canadian packaging industry, produces folding cartons, set-up boxes, and the largest line of paperboard games and jig-saw puzzles produced in Canada.

In Toronto, Somerville Industries has a packaging plant, (Canadian Folding Cartons Limited) and an automotive trim plant. A modern plastics operation in Bramalea, near Toronto, makes a wide range of plastic containers and precision custom molding and forming. In 1942, Somerville's Display Division was created to produce point-of-purchase material.

The Consolidated Lithographic Division, with a plant located in Montreal, is recognized as one of Canada's oldest and finest lithographing firms.

Somerville's Winnipeg plant produces "Pure Pak" plastic coated milk cartons for the western market.

The Strathmore Division in Strathroy, Ontario, produces party crackers, decorative centre pieces, and paper novelties.

By carefully planning a program of capital investment and expansion, Somerville Industries has developed a system of modern, well-equipped plants and has been able to diversify into many areas.

Through a steady increase in volume, Somerville has maintained its leadership in the packaging industry; and as well, has kept pace with the rapid growth in the many other areas this Division now serves, and hopes to serve further in the future.

WHOLESALE AND RETAIL DIVISION

Westfair Foods Ltd. and its major subsidiaries, Western Grocers Ltd., W. H. Malkin Ltd., The G. McLean Co. Limited, and Dominion Fruit Ltd., form the largest wholesale food group in western Canada.

The wholesale division supplies groceries and produce to food chains, affiliated retailers, independent grocers, and institutional accounts from the Lakehead to the Pacific and north to the Arctic Circle.

Retail operations include corporate owned Shop-Easy food markets, Mini Mart convenience stores, the new Econo-Marts, and the larger voluntary group stores Red & White, Foodmaster, Lucky Dollar, Tom-Boy and United Purity Stores.

Recently, Westfair has invested in improved ways of moving food from producer to consumer. Since 1965, fifty Mini Mart "Jug Milk" convenience stores have been opened in Winnipeg and Vancouver, with the Winnipeg operation being further supported by the 1967 purchase of a dairy business. A major step in western Canada in 1967 was the innovation of Econo-Marts, new lower-priced, minimum service "warehouse-image" outlets.

Warehousing plays the key role in the Westfair's extensive distribution system. Capital expenditures are directed at modernizing existing facilities, building new automated, combined-function warehouses, and re-locating branches that are marginal or lack future possibilities. The new Saskatoon warehouse, completed in 1967, provides the most up-to-date facilities in the area.

Three new cash and carry wholesale depots were opened during the year, bringing the total to 17 units in operation.

By combining merchandising innovations with growing volume, Westfair has successfully maintained its position in this highly-competitive industry.

LOBLAW DIVISION
(Not consolidated)

Weston's owns 59% of the voting shares of Loblaw Companies Limited, a holding company which in turn holds 99% of the voting shares of Loblaw Groceterias Co., Limited. The accounts of Loblaws are not consolidated with those of George Weston Limited, and the earnings of Loblaws are included only to the extent of dividends received.

In 1919, Loblaws pioneered the super market industry in Canada by incorporating as two self-serve grocery stores. Today, its extensive interests in the production, merchandising and marketing of food and other products make it one of the largest organizations of its kind in the world. Sales volume in fiscal 1967 was $2.4 billion.

In Canada, food retailing operations are headed by the Loblaw Groceterias supermarket chain with stores from Quebec to British Columbia. In the United States, the billion dollar operations of the giant National Tea Co. extend through the midwest. Other leading food retailers in the group are Loblaw Inc., Buffalo; Power Supermarkets and Zehr's Markets in Ontario; O.K. Economy Stores in Saskatchewan; and Dionne Stores in Quebec.

The broader group of the food industry includes Kelly, Douglas, of Vancouver, one of the largest integrated manufacturers, wholesalers, and retailers of food products in the west; National Grocers, a leading food wholesaler in Ontario and Atlantic Wholesalers, the largest in the Maritimes; also Donlands Dairy, York Trading and Federal Farms. Another well-known name in the Loblaw Group is Tamblyn's, Canada's largest retail drug chain.

Loblaws today is a well diversified group of progressive companies.

GEORGE WESTON LIMITED

CONSOLIDATED STATEMENT OF INCOME

Year ended December 31, 1967

		1967		1966*
CONSOLIDATED SALES		$919,016,000		$835,886,000
less: Cost of sales, selling and administrative expenses, deferred real estate income (note 5) and before undernoted items		870,556,000		787,475,000
		48,460,000		48,411,000
add:				
Dividend income:				
Non-consolidated subsidiaries	$ 2,298,000		$ 2,251,000	
Other	151,000	2,449,000	82,000	2,333,000
		50,909,000		50,744,000
deduct:				
Directors' salaries, fees and other emoluments	413,000		390,000	
Depreciation	14,463,000		12,666,000	
Interest on long term debt	4,736,000		3,155,000	
Other interest	2,850,000	22,462,000	2,961,000	19,172,000
OPERATING INCOME BEFORE INCOME TAXES		28,447,000		31,572,000
Taxes on income — Current	10,374,000		10,392,000	
Deferred (note 4)	2,044,000	12,418,000	3,534,000	13,926,000
		16,029,000		17,646,000
Minority interests		3,046,000		3,392,000
INCOME FROM OPERATIONS		12,983,000		14,254,000
Profit on sale of investments and fixed assets, net of minority interests (note 10)		6,789,000		1,022,000
NET INCOME FOR THE YEAR		$ 19,772,000		$ 15,276,000
Income from operations per common share		$1.10		$1.22
Net income per common share		$1.72		$1.31

**1966 figures have been restated where necessary to reflect deferred income taxes and 1967 classifications.*

GEORGE WESTON LIMITED

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended December 31, 1967

		1967		1966*
RETAINED EARNINGS — at beginning of year				$99,298,000
deduct:				
Accumulated deferred income taxes, December 31, 1965				17,720,000
RETAINED EARNINGS at beginning of year after reduction for deferred income taxes (note 4)		$87,788,000		$81,578,000
add:				
Net income for the year		19,772,000		15,276,000
Preferred share sinking fund reserve transferred		500,000		—
		108,060,000		96,854,000
deduct:				
Dividends				
Preferred Shares				
First Series	$ 481,000		$ 494,000	
Second Series	480,000		480,000	
	961,000		974,000	
Common Shares				
Class A	5,095,000		4,525,000	
Class B	3,087,000		2,881,000	
	8,182,000	9,143,000	7,406,000	8,380,000
		98,917,000		88,474,000
deduct:				
Financing costs and expenses	704,000		144,000	
Net excess cost of shares and assets acquired over net book values at dates of acquisitions	1,127,000	1,831,000	542,000	686,000
RETAINED EARNINGS — at end of year		$97,086,000		$87,788,000

**1966 figures have been restated where necessary to reflect deferred income taxes and 1967 classifications*

GEORGE WESTON LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1967

		1967		1966*
SOURCE OF FUNDS				
Net income for the year		$19,772,000		$15,276,000
Add items not requiring the expenditure of funds:				
Depreciation	$14,463,000		$12,666,000	
Deferred income taxes	2,044,000	16,507,000	3,534,000	16,200,000
		36,279,000		31,476,000
Fine Fare (Holdings) Limited				
Proceeds of sale of shares (note 1)	23,376,000			
Less income, depreciation and deferred income taxes included above	12,886,000			
	10,490,000			
Less inter-company account and working capital at December 31, 1966	6,544,000	3,946,000		
Class A shares issued		—		4,981,000
Net increase in long term debt		19,264,000		15,286,000
		59,489,000		51,743,000
APPLICATION OF FUNDS				
Dividends to shareholders				
Preferred	961,000		974,000	
Common	8,182,000		7,406,000	
	9,143,000		8,380,000	
Net increase in fixed assets, net of change in minority interests	22,890,000		39,713,000	
Net increase in investments	1,278,000		7,940,000	
Net excess cost of shares and assets acquired over net book values thereof	1,127,000		2,097,000	
Financing costs	704,000		144,000	
Redemption of preferred shares	207,000		372,000	
Sundry items	341,000	35,690,000	(498,000)	58,148,000
Increase (decrease) in working capital		23,799,000		(6,405,000)
Working capital at beginning of year		51,818,000		58,223,000
WORKING CAPITAL at end of year		$75,617,000		$51,818,000

**1966 figures have been restated where necessary to reflect deferred income taxes and 1967 classifications.*

GEORGE WESTON LIMITED

CONSOLIDATED BALANCE SHEET
as at December 31, 1967

ASSETS

	1967		1966*	
CURRENT ASSETS				
Cash	$ 9,322,000		$ 4,251,000	
Short term investments	—		9,000,000	
Accounts receivable (note 2)	48,571,000		46,261,000	
Inventories, at the lower of cost and market:				
Materials and supplies	34,682,000		32,239,000	
Finished goods	66,775,000		85,526,000	
Prepaid expenses	2,574,000	$161,924,000	2,420,000	$179,697,000
INVESTMENTS, at cost				
Shares in subsidiary companies not consolidated (note 3)	27,873,000		27,500,000	
Fine Fare (Holdings) Limited (note 3)	7,362,000		—	
Sundry investments (note 3)	6,118,000		4,828,000	
Secured loans and advances	6,488,000		7,240,000	
Cash surrender value of life insurance	557,000		458,000	
Special refundable taxes	870,000		602,000	
Preferred share sinking fund assets	500,000	49,768,000	500,000	41,128,000
FIXED ASSETS, at cost				
Land and buildings	70,651,000		76,106,000	
Plant and equipment	195,715,000		210,716,000	
	266,366,000		286,822,000	
Less: Accumulated depreciation (including depletion of $2,873,000)	129,717,000	136,649,000	131,995,000	154,827,000
		$348,341,000		$375,652,000

Approved on behalf of the board,

W. Garfield Weston George C. Metcalf
Directors

1966 figures have been restated where necessary to reflect deferred income taxes and 1967 classifications.

LIABILITIES

		1967		1966*
CURRENT LIABILITIES				
Bank advances and notes payable	$34,608,000		$26,006,000	
Accounts payable	40,079,000		85,835,000	
Taxes payable	3,669,000		9,260,000	
Dividends payable	2,045,000		3,174,000	
Long term debt payable within one year	5,906,000	$ 86,307,000	3,604,000	$127,879,000
LONG TERM DEBT (note 7)		86,468,000		67,204,000
MINORITY INTERESTS IN SUBSIDIARIES				
Preferred shares	2,981,000		3,045,000	
Common shares and related retained earnings	12,970,000	15,951,000	27,708,000	30,753,000
DEFERRED INCOME TAXES (note 4)		23,078,000		21,611,000
PREFERRED SHARE SINKING FUND RESERVE		—		500,000
DEFERRED REAL ESTATE INCOME (note 5)		1,779,000		2,038,000

SHAREHOLDERS' EQUITY

CAPITAL STOCK					
Authorized:					
365,515	Cumulative Redeemable Preferred Shares, par value $100 each, issuable in series, less 10,028 previously redeemed.				
9,750,000	Class A shares without par value.				
7,200,000	Class B shares without par value.				
Issued and fully paid (note 8)					
Preferred Shares					
105,487	4½% First Series (107,563 in 1966)	10,549,000		10,756,000	
80,000	6% Second Series	8,000,000		8,000,000	
185,487		18,549,000		18,756,000	
Common Shares					
6,793,981	Class A				
4,115,376	Class B				
10,909,357		19,123,000		19,123,000	
		37,672,000		37,879,000	
RETAINED EARNINGS (note 9)		97,086,000	134,758,000	87,788,000	125,667,000
			$348,341,000		$375,652,000

GEORGE WESTON LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1967

1. BASIS OF CONSOLIDATION:
   (a) The consolidated financial statements include the accounts of all subsidiary companies except those of Loblaw Companies Limited and its subsidiary companies. Although George Weston Limited has voting control of Loblaw Companies Limited through ownership of 58.9% of the outstanding Class B voting shares of Loblaw Companies Limited, its holding of the combined Class A non-voting shares and Class B voting shares is less than a majority of the total participating shares outstanding.
   (b) The accounts of consolidated foreign subsidiaries are stated in Canadian dollars at the appropriate rates of exchange. No provision has been made for any withholding taxes which may be payable at a future date on the distribution of retained earnings of such subsidiaries.
   (c) In November 1967 George Weston Limited, through its subsidiary Dicoa Limited, disposed of 31% of the outstanding shares of Fine Fare (Holdings) Limited with the result that it now does not have voting control of this company. Consequently, the operating results of Fine Fare (Holdings) Limited are included to the date that it ceased to be a subsidiary and the assets and liabilities of Fine Fare (Holdings) Limited have not been included in the consolidated balance sheet as at December 31, 1967.

2. ACCOUNTS RECEIVABLE: Included in accounts receivable is a net amount, arising from trade accounts and other current transactions, of $6,207,000 due from subsidiaries not consolidated.

3. INVESTMENTS: Shares in subsidiary companies not consolidated consist of shares in Loblaw Companies Limited having a quoted market value of $39,523,000 at a cost of $22,951,000, and preferred shares of subsidiaries of Loblaw Companies Limited, without a quoted market value, at a cost of $4,922,000.

   Fine Fare (Holdings) Limited consists of 20% of the outstanding shares of Fine Fare (Holdings) Limited at cost without a quoted market value.

   Sundry investments include shares and bonds with quoted market values of $3,402,000, at a cost of $3,417,000. Realizable value of the balance of sundry investments is estimated to be not less than cost.

4. INCOME TAXES: In 1967 the basis of accounting for income taxes was changed to reflect deferred income taxes in the financial statements rather than by way of footnote as in previous years. Deferred taxes of $2,044,000 deducted in the Statement of Income represents income taxes which may be payable in future years when capital cost allowances available for tax purposes are less than depreciation reflected in the accounts. The 1966 figures have been restated to be on a comparable basis with those of 1967.

   Deferred income taxes accumulated to December 31, 1965 have been recorded by a transfer from retained earnings of $17,720,000 and a transfer from minority interests of $357,000.

5. DEFERRED REAL ESTATE INCOME: The deferred real estate income arises primarily from the proceeds of sales of certain properties now under long term leases. It is being transferred to income on a basis which will amortize the total over the terms of the leases which cover a period from 14 to a maximum of 50 years from dates of such sales. The transfer to earnings from operations in 1967 was $259,000 as an offset against rental expense.

6. LONG TERM LEASES: The aggregate minimum rentals under long term leases (extending beyond five years from the balance sheet date) in effect at December 31, 1967 are as follows for each of the periods shown:

1968-1972	$18,542,000	1983-1987	$3,275,000
1973-1977	13,067,000	1988-1992	1,628,000
1978-1982	6,624,000	After 1992	2,851,000
		Total	$45,987,000

   Rentals paid in 1967 under long term leases, for those companies whose assets and liabilities are included in the December 31, 1967 balance sheet, amounted to $3,549,000.

7. LONG TERM DEBT:

	Payable within one year	Total
George Weston Limited		
Initial Series — 4¾% Sinking fund debentures due January 15, 1968	$2,400,000	$ 2,400,000
Series B — 4¾% Sinking fund debentures due October 15, 1971	350,000	6,150,000
Series C — 4⅞% Serial debentures due May 15, 1968	525,000	525,000
— 5¼% Sinking fund debentures due May 15, 1982	—	11,850,000
Series D — 5% Serial debentures due May 15, 1968	525,000	525,000
— 5½% Sinking fund debentures due May 15, 1983	—	12,375,000
Series E — 6¾% Sinking fund debentures due July 15, 1986	350,000	9,650,000
Series F — 6¾% Sinking fund debentures due June 1, 1987	—	25,000,000
	$ 4,150,000	$68,475,000
Eddy Paper Company Limited		
First Mortgage Bonds		
1954 Series — 4% Sinking fund bonds due October 1, 1974	300,000	6,600,000
1955 Series — 4% Sinking fund bonds due June 1, 1975	150,000	3,450,000
	$ 450,000	$10,050,000
Somerville Industries Limited		
First Mortgage Bonds		
Series A — 5¼% Sinking fund bonds due October 15, 1973	$ 181,000	$ 1,238,000
Series B — 6% Sinking fund bonds due June 15, 1977	100,000	1,700,000
	281,000	2,938,000
British Columbia Packers Limited		
First Mortgage Bonds		
Series A — 6¾% Sinking fund bonds due May 1, 1971	500,000	2,000,000
Series B — 6½% Sinking fund bonds due May 1, 1983 ($4,500,000 U.S.)	—	4,843,000
Series C — 6½% Sinking fund bonds due May 1, 1983 ($1,500,000 U.S.)	—	1,612,000
	500,000	8,455,000
Notes, mortgages and other long term debt	525,000	2,456,000
	5,906,000	92,374,000
Less: Payable within one year		5,906,000
Long Term Debt		$86,468,000

Instalments of long term debt payable each year for the next five years are:

1968	$5,906,000	1971	$8,018,000
1969	3,270,000	1972	4,230,000
1970	3,258,000		

8. CAPITAL STOCK: The Cumulative Redeemable Preferred Shares First Series and Second Series are redeemable at $104 and $105 respectively. During the year the company purchased for cancellation 2,076 Preferred Shares, 4½% First Series. The Class A shares, which are non-voting unless dividends are in arrears for more than 2 years, carry a non-cumulative preferential dividend of 8⅓¢ per share per annum after payment of dividends on the preferred shares and participate equally with Class B voting shares after payment of 8⅓¢ per share on the latter. The trust indentures, under which long term debt is outstanding, contain certain restrictions relating to the payment of dividends.

9. RETAINED EARNINGS: Retained earnings includes an amount of $1,003,000 set aside as capital surplus in connection with the redemption of preferred shares as required by Section 61 of the Canada Corporations Act, and an amount of $500,000 set aside for preferred share sinking fund reserve.

10. PROFIT ON SALE OF INVESTMENTS AND FIXED ASSETS: Profit on sale of investments and fixed assets includes $6,575,000 profit on the sale of 31% of the outstanding shares of Fine Fare (Holdings) Limited.

11. CONTINGENT LIABILITIES AND GUARANTEES: Contingent liabilities, relating mainly to third party guarantees, amount to approximately $3,679,000. A further guarantee existing at balance sheet date has subsequently been released at no cost to the Company.

12. NON-CONSOLIDATED SUBSIDIARIES: The Company's proportion of the undistributed profits of Loblaw Companies Limited and Loblaw Groceterias Co., Limited earned since the dates of acquisition of the shares of these companies is $36,415,000.
For the year ended June 3, 1967, the Company's proportion of the profit of Loblaw Companies Limited and subsidiary companies was $6,896,000, of which $2,277,000 was received as dividends, leaving a remaining equity in the profits of $4,619,000. At December 31, 1967, non-consolidated subsidiaries held 144,885 common shares of the Company.

13. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS: The aggregate direct remuneration paid to directors and senior officers of the corporation by George Weston Limited and its consolidated subsidiaries was $436,000. Remuneration to directors of George Weston Limited from subsidiaries whose financial statements are not consolidated herein was $66,000.

Thorne,
Gunn,
Helliwell
& Christenson

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of
George Weston Limited

We have examined the consolidated balance sheet of George Weston Limited and consolidated subsidiary companies as at December 31, 1967 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. For George Weston Limited and those subsidiaries of which we are the auditors, our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. For those subsidiaries of which we are not the auditors, we have carried out such enquiries and examinations as we considered necessary in order to accept for purposes of consolidation the reports of the other auditors.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1967 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving effect in that year to the change in accounting for income taxes as explained in note 4 to the financial statements, with which change we concur.

Toronto, Canada
April 9, 1968

Thorne, Gunn, Helliwell & Christenson

Chartered Accountants

GEORGE WESTON LIMITED

TEN YEAR STATISTICAL SUMMARY

Year	Net Income*	Net Income Per Common Share*	Preferred Dividends	Common Dividends	Working Capital	Common Shareholders' Equity*	Total Assets
1958	$ 6,165,000	0.63	$1,000,000	$1,578,000	$28,654,000	$34,285,000	$101,809,000
1959	6,665,000	0.69	1,000,000	1,853,000	21,526,000	38,138,000	110,871,000
1960	7,072,000	0.73	999,000	1,930,000	23,250,000	42,781,000	116,627,000
1961	7,648,000	0.79	992,000	2,370,000	26,083,000	46,781,000	120,474,000
1962	10,467,000	0.93	988,000	3,132,000	62,889,000	78,123,000	217,835,000
1963	11,597,000	1.02	988,000	3,984,000	63,900,000	82,866,000	241,586,000
1964	12,374,000	1.09	984,000	4,513,000	61,937,000	91,025,000	244,022,000
1965	13,594,000	1.21	982,000	5,433,000	58,223,000	96,565,000	259,161,000
1966	15,276,000	1.31	974,000	7,406,000	51,818,000	106,911,000	375,652,000
1967	$19,772,000	$1.72	$ 961,000	$8,182,000	$75,617,000	$116,209,000	$348,341,000

**On Deferred Income Tax Basis.*

GEORGE

DIVISIONS	PRINCIPAL SUBSIDIARIES
BAKERY & CONFECTIONERY	Weston Bakeries Limited McCormick's Limited Paulin Chambers Co. Ltd. Marven's Limited George Weston Inc. (U.S.)
CHOCOLATE & DAIRY	William Neilson Limited Devon Ice Cream Limited Willards Chocolate Company Limited Eplett Dairies Limited
FISHERIES	British Columbia Packers Limited Rupert Fish Company Inc. (U.S.) Connors Bros. Limited
FOREST PRODUCTS	Eddy Paper Company Limited E. B. Eddy Company J. E. Boyle Limited
PACKAGING	Somerville Industries Limited Canadian Folding Cartons Limited Somerville Automotive Trim Limited
WHOLESALE & RETAIL	Westfair Foods Ltd. Western Grocers Limited Dominion Fruit Limited Shop-Easy Stores Limited W. H. Malkin Ltd.
LOBLAW'S (Not consolidated)	Loblaw Companies Limited Loblaw Groceterias Co. Limited Loblaw Inc. (U.S.) National Tea Co. (U.S.)

STON LIMITED

FACILITIES	PRODUCTS
Twenty-two plants and bakeries in Canada; five biscuit plants in the U.S. Sales Branches across Canada and in the U.S.	Biscuits, bread, cakes and other bakery products; confectionery, cereals, ice cream cones, straws etc.
Chocolate factories in Toronto, ice cream plants in Toronto and New Liskeard, dairies in Beechville, Cochrane and Timmins, Ont.	Chocolate, coatings, cocoa, packaged chocolates, chocolate bars; ice cream, processed milk and other dairy products.
Extensive facilities on both Atlantic and Pacific coasts, including trawlers, canneries, processing and by-product plants.	Sea foods — fresh, frozen, salted, prepared and canned fish — over 400 items. Also fish oil, meal and solubles.
Timber limits and integrated wood-harvesting, processing and papermaking facilities. Plants in Ottawa-Hull area and Davidson, P.Q.	Fine papers, newsprint, paperboard, converting papers, a wide range of paper products — towels, serviettes, tissues, grocery bags, etc. for industrial, commercial and consumer use.
Diversified production facilities — eight plants in Ontario; others in Montreal and Winnipeg.	Lithographed and printed packaging materials; advertising displays; beverage cups, milk containers, food cartons, plastics, auto trim, novelties, etc.
Branch warehouses, depots and processing plants, food markets, jug-milk stores, etc.	Western Canada's leading wholesale-retail organization serving independent and affiliated grocers. A complete food service from the Lakehead to the Pacific.

Atlantic Wholesalers Ltd.
Donland Dairies Limited
Federal Farms Limited
Kelly, Douglas & Company Limited

Dionne Limited
Nabob Foods Limited
O.K. Economy Stores Limited
National Grocers Company Limited

Power Supermarkets Limited
G. Tamblyn Limited
York Trading Co. Limited
Zehr's Markets Limited

Printed in Canad